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Docket No. 00-00537

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volume industrial customers within the city limits, pursuant to the pilot program statute (Tenn. Code Ann. § 65-28-103); (2) approve a June 6, 2000 Kingsport ordinance authorizing execution of a franchise agreement between Tengasco and Kingsport which allows Tengasco to construct a pipeline within Kingsport to transport both interstate and intrastate natural gas to both residential and industrial customers within Kingsport and in surrounding areas; and (3) grant Tengasco a certificate of public convenience and necessity ("CCN") to provide natural gas service throughout Sullivan County.

In its response objecting to UCG's petition to intervene as an interested party, Tengasco appeared to abandon its request for a CCN, and stated that it was only seeking approval of the Kingsport resolution and ordinance. Tengasco's response did not, however, explain the differences between the nature and scope of service authorized by the resolution and that embodied in the ordinance.

As a result of the unclear and contradictory statements in Tengasco's filings, the TRA issued an order on September 20, 2000 requiring Tengasco to file an amended application clarifying the precise geographical scope and nature of the service it was seeking approval to provide.

II. THE AMENDMENT AND CLARIFICATION FILED BY TENGASCO AND THE CITY OF KINGSFORT DOES NOT ADDRESS ALL THE QUESTIONS RAISED BY THE TRA'S SEPTEMBER 20, 2000 ORDER.

In its September 20, 2000 order, the TRA directed Tengasco to clarify precisely what type of natural gas service it is seeking approval to provide, and to which customers they intend to provide that service. Specifically, the TRA order notes that the Kingsport resolution authorizes Tengasco to construct a pipeline in Kingsport to provide intrastate natural gas, pursuant to the pilot program statute, to large volume industrial customers within Kingsport that have previously been served by an interstate pipeline. By contrast, the Kingsport ordinance,

which unlike the resolution, contains no finding of public necessity, authorizes a franchise agreement that allows Tensasco to construct a pipeline within Kingsport to provide both intrastate and interstate natural gas to all customers, whether industrial or residential, both within Kingsport and in the surrounding areas. The TRA order also notes that the original request for a CCN had never been withdrawn.

In its amendment and clarification, Tensasco states that it is not seeking a CCN to serve Sullivan County, but is only seeking approval of the Kingsport resolution. However, Tensasco's amendment and clarification makes no mention of the limited scope of the resolution, and in fact, quotes the misleading language from its original application that characterizes the resolution as providing that "public necessity requires a competing natural gas pipeline company in the City of Kingsport." As the TRA explicitly recognized in its September 20 order, the resolution does not authorize a competing natural gas company in Kingsport, but instead is much narrower, merely allowing Tensasco to construct a pipeline within Kingsport to provide intrastate natural gas, pursuant to the pilot program statute, to large volume industrial customers in Kingsport that have previously been served by an interstate pipeline.

Further, Tensasco's amendment and clarification attempts to separate the Kingsport resolution and ordinance, stating that Tensasco is only seeking approval of the resolution, not the ordinance. Tensasco fails to address, however, the fact that the resolution is inextricably linked to the ordinance in that the resolution specifically references the franchise agreement embodied in the ordinance. Specifically, the resolution provides:

That the City and Tensasco will enter into a franchise agreement similar to the agreement the City has with the present natural gas franchisee of Kingsport which will be subject to approval of the Tennessee Regulatory Authority and this resolution is not to be construed to prohibit such agreement.

(Resolution p. 2, attached as Exhibit A to the Joint App.). In addition to glossing over the distinctions between the scope of service authorized by the resolution and ordinance, Tensasco fails to provide any justification for separating the resolution and ordinance into different dockets before the TRA, other than to summarily state, without explanation, that "the legal bases for the relief sought differ because of the applicability, with respect to the Resolution, of a recently enacted pilot project set out in the Resolution." (Amend. and Clarif. p. 2.)

Tensasco fuels additional confusion by stating that despite the fact it is only seeking approval of the resolution,

the Ordinance has been accepted by TPC and consequently by its terms **remains in effect** subject to approval by TRA, and that by this Amendment and Clarification TPC and the City of Kingsport do not waive, but specifically reserve the right to seek approval by TRA of that Ordinance, and will seek approval thereof in a separate docket to be initiated by them in the future.

(Amend. and Clarif. p. 2)(emphasis added). Tensasco does not specify what effect the Ordinance could possibly have before it is approved by the TRA, nor does Tensasco explain the significance of the Ordinance in relation to its planned service efforts in Kingsport or the surrounding areas.

Nowhere in the amendment and clarification does Tensasco specify what type of natural gas service it intends to provide, nor does Tensasco specify what customers it is seeking approval to serve, other than to state it wishes to serve only within the City of Kingsport. This omission is troubling, especially in light of the contradictions and ambiguities in Tensasco's previous filings, and the specific questions raised by the TRA's September 20 order.

III. UCG WILL NOT OBJECT TO TRA APPROVAL OF THE KINGSFORT RESOLUTION PROVIDED APPROPRIATE PRECAUTIONS ARE TAKEN TO PRECISELY DEFINE THE SCOPE OF THE APPROVAL.

Without admitting the sufficiency of any of the allegations in the filings of Tensasco and the City of Kingsport, UCG will, in the interest of seeking a equitable and efficient resolution of

this matter, withdraw its objection to Tengasco's application for approval of the resolution only, provided appropriate precautions are taken to eliminate the remaining ambiguity surrounding the joint application of Tengasco and the City of Kingsport. Specifically, UCG would not object to TRA approval of all parts of the May 2, 2000 Kingsport resolution **with the exception of** paragraph 3 of page 2 of the resolution, which specifically references the franchise agreement embodied in the subsequently enacted ordinance. UCG would respectfully request that the TRA specifically state in its order the nature and scope of the service Tengasco would be authorized to provide under the resolution, i.e. that Tengasco is authorized to construct a pipeline in Kingsport for the sole purpose of providing intrastate natural gas, pursuant to the pilot program statute, to large volume industrial customers within Kingsport that have previously been served by an interstate pipeline.

Further, UCG would respectfully request that the TRA specifically address Tengasco's ambiguous allegations regarding the current status of the ordinance by expressly stating in its order that the Kingsport ordinance is of no effect whatsoever, and does not authorize Tengasco to undertake any course of action with respect to serving or preparing to serve pursuant to the ordinance. UCG would also request that the TRA confirm in its order that Tengasco must first obtain TRA approval of the ordinance before beginning any construction of facilities or other activities in preparation to begin serving pursuant to the ordinance.

Pursuant to the TRA's September 20 order, any future application by Tengasco for approval of the ordinance would require a public hearing, and UCG would be entitled to intervene as an interested party. UCG therefore requests that it be provided notice of any such future filing by Tengasco.

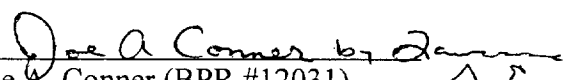
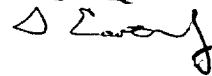
For the convenience of the TRA, and to eliminate the possibility of any further confusion regarding the positions of the parties in this matter, a proposed order is attached hereto as Exhibit 1.

Regardless of the outcome, UCG will exercise its right to remain as an interested party and fully participate in all proceedings in this docket.

Respectfully submitted,

BAKER, DONELSON,
BEARMAN & CALDWELL
A Professional Corporation

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Attorneys for United Cities Gas
Company

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing has been mailed, postage prepaid, to the following parties of record, this 19th day of October, 2000.

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Joe A. Conner by Lawrence J. Easley

**BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE**

IN RE:)	
)	
JOINT APPLICATION OF THE CITY OF)	
KINGSPORT AND TENGASCO PIPELINE)	Docket No. 00-00537
CORPORATION FOR APPROVAL OF)	
CITY RESOLUTION AND CITY)	
ORDINANCE)	
)	
)	

ORDER APPROVING KINGSPORT RESOLUTION DATED MAY 2, 2000

This matter came before the Tennessee Regulatory Authority ("TRA") for consideration of the June 20, 2000 Joint Application of the City of Kingsport and TENGASCO Pipeline Corporation ("Tengasco") for Approval of City Resolution and City Ordinance. Based upon the October 12, 2000 Amendment to and Clarification of Joint Application of the City of Kingsport and TENGASCO Pipeline Corporation for Approval of City Resolution, and the October 19, 2000 Response filed by intervenor United Cities Gas Company ("UCG"), and upon the entire record in this case,

IT IS HEREBY ORDERED THAT:

1. The amended joint application of Tengasco and the City of Kingsport for approval of the May 2, 2000 Kingsport resolution is approved, with respect to all portions of the resolution except paragraph 3 of page 2 of the resolution.
2. Pursuant to the terms of that resolution, Tengasco is authorized to construct a pipeline within the City of Kingsport for the exclusive purpose of providing intrastate natural

gas, pursuant to the pilot program statute (Tenn. Code Ann. § 65-28-103), to large volume industrial customers within the City of Kingsport that have previously been served by an interstate pipeline.

3. TENGASCO is not authorized to undertake any other service or activities other than specifically provided in this Order.

4. This Order shall not be construed as approving or authorizing in any way the June 6, 2000 Kingsport ordinance or the franchise agreement embodied in that ordinance. The June 6, 2000 ordinance has not been approved by the TRA, and therefore has no legal effect whatsoever. As such, TENGASCO is prohibited from undertaking any actions, including, without limitation, the construction of facilities or laying of pipe, to serve or prepare to serve pursuant to the June 6, 2000 Kingsport ordinance or the franchise agreement embodied in that ordinance.

5. Should TENGASCO desire to begin service pursuant to the June 6, 2000 Kingsport ordinance or the franchise agreement embodied in that ordinance, TENGASCO must first obtain TRA approval before undertaking any activities, including, without limitation, the construction of facilities or laying of pipe for the purposes of serving or preparing to serve pursuant to said ordinance or franchise agreement.

6. UCG shall be notified of any future filing by TENGASCO involving the June 6, 2000 Kingsport ordinance or the franchise agreement embodied by that ordinance, and shall be allowed to intervene and participate fully in all proceedings related thereto.

Sara Kyle, Chairman

H. Lynn Greer, Jr., Director

Melvin J. Malone, Director

ATTEST:

K. David Waddell, Executive Secretary